

## PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC20889

<b>Project Name</b>	Community Social Support Project (P151701)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Ukraine
<b>Sector(s)</b>	Other social services (50%), Sub-national government administration (25%), Public administration- Other social services (25%)
<b>Theme(s)</b>	Social Inclusion (30%), Other social protection and risk management (30%), Decentralization (20%), Participation and civic engagement (20%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P151701
<b>Borrower(s)</b>	Ministry of Finance
<b>Implementing Agency</b>	Ukrainian Social Investment Fund
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	28-Jan-2015
<b>Date PID Approved/ Disclosed</b>	20-Feb-2015
<b>Estimated Date of Appraisal Completion</b>	02-Nov-2015
<b>Estimated Date of Board Approval</b>	24-Mar-2016
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

### I. Introduction and Context

#### Country Context

Ukraine is currently experiencing a macroeconomic and social crisis. Ukraine's economy contracted in the 2009 global financial crisis and after a short recovery experienced a new period of stagnation in 2012 and 2013. In 2014, the economic situation was further aggravated by severe macroeconomic uncertainty and spillover effects from the armed conflict in the east of the country and the Ukrainian Government's loss of control over parts of its territory. The economic recovery requires comprehensive reforms to release fiscal pressure and improve the efficiency of public spending as well as the quality and effectiveness of public services. To be successful, all reforms need to be underpinned by improved governance and transparency.

The social crisis has its roots in the progressive erosion of the state-society compact over the past decade. The lack of trust between citizens and the state grew over the years as the country's

governance practices persistently worsened. Social cohesion has been further challenged in recent months, as a growing number of people have been displaced from the conflict-affected areas, primarily in the east, and the economic crisis has worsened living standards. Should governance issues remain unaddressed, it is likely that the current instability and insecurity will continue to escalate.

The ongoing conflict has resulted in widespread displacement and trauma, especially in the east of the country, and has undermined community resilience. The conflict has manifested in many lives lost, injuries, service delivery shortfalls, and forced displacement. The number of internally displaced persons (IDPs) continues to grow and is a significant contributor to growing social tensions in host communities. With unclear intensity and settlement prospects, the conflict will have far-reaching implications for communities' resilience in terms of their ability to withstand, recover from, and reorganize in response to crises. Restoring stability, facilitating reconciliation and return in conflict-affected areas, infrastructure rehabilitation and restoration of services will be necessary.

### **Sectoral and Institutional Context**

Ukraine's centralized governance model makes it difficult for the population to influence or hold authorities accountable for political, financial, and management decisions on basic public services. Although local governments in communities (urban municipalities and rural settlements) are elected autonomous entities, public service provision is heavily controlled through the financial and administrative channels of the national Government. Limited local revenue autonomy and high dependence on national budget transfers makes the elected local governments primarily implementing agencies within the administrative hierarchy. These mechanisms undermine accountability and incentives to find solutions for local public service management or economic development challenges and cause misalignment of budget allocations with local priorities.

Local governments are responsible for investment in and maintenance of community infrastructure, but lack the funds required to make necessary investments. Local governments are also responsible for the bulk of social services, but intergovernmental fiscal system hinders their ability to deliver the services effectively and in the best interest of the beneficiaries. The delivery of social services such as health, education, and social assistance/care for vulnerable groups, is fragmented among the tiers of government and heavily relies on central transfers. This results in significant losses of economies of scale in provision of health and education services and creates service gaps for provision of non-institutional social care.

The Government's renewed commitment to the decentralization agenda addresses many (but not all) issues that have constrained community development to date. The recently announced decentralization reform envisages modifications in public administration, governance, and fiscal systems that are needed to clarify distribution of responsibilities among various tiers of government, align resources behind those responsibilities and to strengthen local self-governance. Community governments are supposed to receive more powers and expanded revenue autonomy to meet basic needs for public services and local development. The successful reform requires enhanced capacity of local authorities to manage local resources in an efficient and transparent manner.

In the context of a national drive for greater decentralization to improve the governance, fiscal, and administrative-territorial outcomes for communities, the proposed project would contribute to strengthening local self-governance and citizen engagement by bringing communities and different population groups together in cooperative dialogue and decision making on priority infrastructure

and service investments. This would be particularly relevant for conflict-affected communities and populations where needs for strengthened social cohesion and rebuilt infrastructure are the most acute.

### **Relationship to CAS**

The Country Partnership Strategy for Ukraine for the period FY12–FY16 has a strong governance and anti-corruption focus and calls for deeper engagement with civil society. The proposed project would contribute to improving governance and institutions by strengthening the capacity of communities and local governments to address social needs and manage community services. It is aligned with national policy and institutional priorities and strategies such as decentralization and strengthening of local self-governance and the reform of social care services. In addition, the project would contribute to implementation of the Ukraine Economic Recovery Plan for 2015-2017.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed Project Development Objective (PDO) is to improve living conditions and services in targeted communities and to enhance capacity of local governments to manage local development needs in a participatory and accountable manner.

### **Key Results (From PCN)**

Achievements of the proposed PDO would be measured through the following indicators:

- Changes in access to good quality local infrastructure and basic services (by their types such as educational, cultural, sports and other community facilities, roads and water supply, etc.);
- Changes in coverage by social care services in participating communities (by types and numbers of service recipients, such as elderly, disabled, children/youth at risk, homeless, etc.);
- Changes in beneficiaries' satisfaction with social care services;
- Changes in local governments' capacity to plan, manage, and deliver social care services with increased involvement of communities and civil society, as measured by the number of completed participatory social needs assessments and local plans for development of social care services;
- Changes in the share of beneficiaries reporting that they have adequate capacity to exercise control over decision making and resources to implement micro-projects.

## **III. Preliminary Description**

### **Concept Description**

The proposed project would finance the activities of the three components.

Component 1. Community development support. This component would support community-prioritized infrastructure and service delivery initiatives. To achieve a greater development impact, community support would be designed as a comprehensive “package” that combines investments in infrastructure and/or service provision (micro-projects) with “soft” activities such as capacity development, training, etc. The component would include two subcomponents: (1.1) Community infrastructure and basic services support; and (1.2) Community-based social care services.

Component 2. Capacity building, monitoring, and knowledge transfer. This component would finance technical assistance and other services, training, events, and goods necessary to ensure successful implementation and sustainable outcomes of community micro-projects.

Component 3. Social policy development. The component would aim to strengthen national policies that directly affect activities implemented at the local level and to refine them based on the evidence collected from the implementation.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	0.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source		Amount	
Borrower		0.00	
International Bank for Reconstruction and Development		0.00	
Total		0.00	

#### VI. Contact point

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