



The World Bank

Sixth Additional Financing for Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine (P181514)

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

Date Prepared/Updated: 10/31/2023 | Report No: ESRSAFA633



I. BASIC INFORMATION

A. Basic Project Data

Country	Region	Borrower(s)	Implementing Agency(ies)
Ukraine	EUROPE AND CENTRAL ASIA		
Project ID	Project Name		
P181514	Sixth 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	11/9/2023	12/7/2023
Estimated Decision Review Date	Total Project Cost		
11/6/2023	4,080,000,000		

Public Disclosure

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

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 Activities

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 Overview of Environmental and Social Project Settings

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 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 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 was approved by the Executive Directors on June 7, 2022, with a closing date of March 31, 2023. The Project became effective on June 18, 2022. The Project Development Objective (PDO) is to contribute to sustaining the government administrative and service delivery capacity to exercise core government functions at the national and regional levels. The Original Project reimbursed government expenditures for salaries of government and school employees. Two additional financing (AF) grants and two additional financing loans have been approved for a total amount of US\$6.83 billion. The First and Second AFs, which are grant financed through the PEACE IPF Co-Financing Multi-Donor Trust Funds (MDTFs, TF073828 and TF073829), have been supported by the US, Germany, Spain, Switzerland, Finland, Belgium, and Iceland and were fully disbursed (US\$1.3 billion and US\$4.5 billion, respectively). The Third AF funded by a US\$529.9 IBRD loan guaranteed by the UK is also fully disbursed. Under the Fourth AF, an IBRD loan of US\$500 million and grants of US\$2.659 billion have been disbursed. The Second AF introduced additional types of expenditures incurred by the government to pay pensions, social assistance, wages of first responders and deliver healthcare services. The Third AF extended the closing date to June 30, 2023. The Fourth AF introduced further types of expenditures incurred by the government to pay child and family benefits, salaries of employees of public tertiary education institutions and utility payments of government agencies. The Fifth AF extended the closing date of the Project to June 30, 2024. The proposed Sixth AF will be financed by a loan in the amount of US\$1.02 billion (credit enhanced through the Advancing Needed Credit Enhancement for Ukraine (ADVANCE Ukraine) Trust Fund, supported by the Government of Japan), a US\$22 million grant from Swiss government, and US\$38 million grant from the investment income accumulated by the World Bank on US government contributions during periods between transfer of funds to the World Bank and disbursement. The Sixth AF is an integral part of the international support package to enable Ukraine to meet its financing needs in 2023. The proposed Sixth AF will continue support for the types of expenditures eligible from the Fourth AF. This includes the



wage bill of non-security sector government employees, pensions, social payments, and education, emergency and healthcare services that ensure continuity of core government functions and mitigate the social and economic impact of the Russia’s invasion of Ukraine. The Project continues to remain in compliance with environmental, social, audit and financial management reporting requirements. As of October 20, 2023, the PEACE Parent Project and subsequent Additional Financing have disbursed a total of US\$23 billion equivalent (US\$1.6 billion from the IBRD loans, US\$1 billion from the IDA credit and US\$20.4 billion from various grants).

D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

The Implementing Agency for the project is Ministry of Finance of Ukraine that 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, GRM quarterly reports are regularly submitted to the Bank for the review. The Bank's ES team provides continuous support, extensive supervision and on the job training to the ICD MoF staff. Borrower’s performance on E&S requirements continues to be satisfactory, no environmental or social (including OHS) incidents have been reported under the project. The ES implementation is being assessed by the Bank on a regular basis, informed by project reports and during implementation support missions .

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

A. Environmental and Social Risk Classification (ESRC) Substantial

A.1 Environmental Risk Rating Moderate

The AF6 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

A.2 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 AF6 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. In addition, the proposed AF5 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. The Stakeholder Engagement Plan (SEP) for the project will make a reference for the AF6 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.

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

B.1 Relevance of Environmental and Social Standards

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Relevant

The standard is relevant. The proposed AF6 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



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.

ESS2 Labor and Working Conditions

Relevant

The standard is relevant. 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 programs 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

Not Currently Relevant

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

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ESS4 Community Health and Safety

Relevant

The standard is relevant. 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 AF6 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. AF6 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

Not Currently Relevant

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

Not Currently Relevant

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

Not Currently Relevant

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

ESS8 Cultural Heritage

Not Currently Relevant

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

ESS9 Financial Intermediaries

Not Currently Relevant

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

ESS10 Stakeholder Engagement and Information Disclosure

Relevant

The standards is relevant. 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. SEP has been disclosed at the official MoF website and updated during the course of the project implementation. SEP will be updated to include reference for the AF5 activities. 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. The MoF submits GRM reports on regular basis describing evidence and resolutions of the complaints received. 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.

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 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.

In addition, Listening to Ukraine surveys have started in 2023 with mobile surveys of users of education and healthcare services, social assistance beneficiaries and pensioners, to ensure that services continue to be delivered and payments are made in a timely manner.

Joint TPM initiative under HEAL project (P180245) and PEACE project has been launched in October 2023 that aims to create a methodological framework aligned with international standards for third-party monitoring of healthcare services tailored to the specific needs of key stakeholders in the national context. It seeks to establish a coalition of civil society organizations to implement independent monitoring practices in regional healthcare services, fostering mutual learning and experience sharing among CSOs. The project's core focus lies in conducting independent monitoring across five regions and assessing healthcare service quality (client satisfaction) and accessibility (equipment inventory and service availability verification). TPM will be conducted by NGO CHESNO Movement, which has significant experience in design and implementation of citizen engagement initiatives in Ukraine.

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B.2 Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

B.3 Other Salient Features

Use of Borrower Framework No



N/A

Use of Common Approach

No

N/A

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required during implementation?

draft Stakeholder Engagement Plan by Appraisal
draft ESCP by Appraisal

III. CONTACT POINTS

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V. APPROVAL

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