



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 07/08/2024 | Report No: ESRSA03579

**I. BASIC INFORMATION****A. Basic Operation Data**

| | | | |
|--------------------------------|---|--------------------------|---|
| Operation ID | Product | Operation Acronym | Approval Fiscal Year |
| P505616 | Program-for-Results Financing (PforR) | RISE | 2025 |
| Operation Name | Resilient, Inclusive and Sustainable Enterprise Program for Results | | |
| Country/Region Code | Beneficiary country/countries (borrower, recipient) | Region | Practice Area (Lead) |
| Ukraine | Ukraine | EUROPE AND CENTRAL ASIA | Finance, Competitiveness and Innovation |
| Borrower(s) | Implementing Agency(ies) | Estimated Appraisal Date | Estimated Board Date |
| Ministry of Finance | Ministry of Economy | 25-Jul-2024 | 31-Oct-2024 |
| Estimated Decision Review Date | Total Project Cost | | |
| 23-Jul-2024 | 2,774,800,000.00 | | |

Proposed Development Objective

Improve the enabling environment for a sustainable private sector-led recovery in Ukraine.

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

No

C. Summary Description of Proposed Project Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

The objective of the PforR operation is to alleviate selected constraints to increased participation of the private sector, in particular SMEs in the economy, and support the private sector recovery priorities of the Government of Ukraine, with a focus on the following areas: • Results Area 1.



Improved efficiency of state support to SMEs, with a focus on green competitiveness: Focus of the interventions is the re-design of small and medium-sized enterprise (SME) support programs and revamping of the portfolio offering in line with international good practices and with a view to enhancing green competitiveness. Specific reforms relate to: (i) improving targeting and efficiency of state support to SMEs, and (ii) enhancing compliance of SME financing programs with ESG requirements. • Focus Area 2. Improved business environment with a focus on digitalization of G2B services and increased institutional support to both SMEs and foreign investors for business upgrading and higher value addition. Specific reforms relate to: (i) fostering business upgrading through enhanced G2B Digital Platforms and Services, and (iii) institutional strengthening of the investment promotion and FDI facilitation capabilities of the GoU. • Focus Area 3. Increased market access and sustained provision of assistance to export oriented enterprises. Specific reforms relate to: (i) improving the capacity and product portfolio offering of the Export Credit Agency (ECA) and (ii) increasing access to EU export market for industrial goods. The IPF component will provide the Government with technical assistance (TA) for capacity building, consulting support and knowledge transfer to enable the Government achieve sustainable change, and to have timely access to regional and global markets. More specifically, the IPF component will assist with the implementation of the PforR through: (i) operational support to the Government in the implementation of the PforR operation; (ii) targeted technical assistance and capacity building of the Government for policies, programs and regulatory framework for private sector support in line with the European Green Deal objectives; (iii) IT solutions in support of government digitalization and digital investment platform for Ukraine's reconstruction; and (iv) change management in communications and stakeholder engagement for the Program.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]

The Program is nationwide in geographic scope and takes place within the context of the Russian invasion of Ukraine. The ongoing conflict has severely impacted businesses through various demand and supply transmission channels. While the impact of war has been very heterogeneous across locations, sectors, and different typologies of firms, it has played out across many levels: loss of lives, assets and capital of businesses; destruction of public infrastructure such as roads and power lines; contamination of agricultural land by military debris; contamination of land used for businesses by mines; destruction of public offices and records; and incapacitation of local public institutions and their functions.

One of the overarching goal of the Program and the IPF component is to strengthen Ukraine's small and medium-sized enterprises to be consistent with the European Green Deal. The European Green Deal, approved in 2020, is a set of policy initiatives by the European Commission with the overarching aim of making the European Union (EU) climate neutral in 2050. It is a comprehensive strategy proposed by the European Commission to address the



pressing challenges of climate change and environmental degradation. Its goal is to transform the EU into a modern, resource-efficient, and competitive economy while ensuring no net emissions of greenhouse gases by 2050. It strives to decouple economic growth from resource use. One of the elements of the green deal that is pertinent to the proposed IPF and the PforR is the Green Deal Industrial Plan aimed at enhancing the competitiveness of Europe's net-zero industry and is accelerating the transition to climate neutrality. It will also boost the competitiveness of EU industry, create quality jobs, and support the EU's efforts to become energy independent. The Act also simplifies the regulatory framework for the manufacturing of these technologies.

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

[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]

1. The Ministry of Economy (MOE) is the lead implementing agency responsible for the technical PforR implementation and the TA to be supported by the proposed IPF component. The responsible Deputy Minister of Economy will oversee the overall IPF component implementation, and the MoE PIU will play a key role including procurement, financial management, environmental and social (E&S) aspects and monitoring and evaluation. The IPF component will imply additional resources for the MoE that will follow standard IPF arrangements with traditional disbursement methods, where the Program will finance eligible expenditures. While the MOE has some operational experiences with ongoing IPF operations, its E&S capacity is limited. Considering this, the ESCP will include measures to strengthen MOE's E&S risk management capacities.

2. As the coordinating agency, MoF will be responsible for conducting Program supervision, and coordination with the Bank. The MoF will be responsible for i) overall supervision including the facilitation of strategic decision-making and monitoring the Program's execution and results, ii) ensuring that the MOE has the necessary resources to achieve the Program's results, which will be prepared and approved following the budget procedures for ministries in the GoU and iii) coordinating disbursements with the Bank after the achievement of DLIs and DLRs, as established in the legal agreement. MOF will have no role in the E&S risk management for the proposed IPF.

3. Other implementing agencies for the PforR component include the Business Development Fund (BDF), the Entrepreneurship and Export Promotion Office (EEPO) and the Export Credit Agency (ECA). While the proposed IPF component will provide TA and capacity building for such agencies, they will not manage the proposed IPF component.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate



A.1 Environmental Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The Environmental Risk Rating for the IPF component is considered Moderate. The IPF focused on operational support primarily aim to strengthen institutional capacities. These activities involve engaging consultants and potentially recruiting new government staff. In addition, this IPF component will support a number of activities that can lead to positive environmental outcomes including: (i) Technical assistance with drafting green finance regulatory framework in line with the European Green Deal objectives (EU taxonomy); (ii) Promoting smart infrastructure in industrial parks - implementing smart infrastructure solutions, such as IoT (Internet of Things) sensors and AI-driven management systems to improve energy efficiency, waste management, and resource utilization; (iii) Development of Online tool for SMEs to self-assess their carbon footprint: development, implementation and promotion; and (iv) Technical assistance for eco-industrial parks transformation supporting both local and national goals for environmental and resource use as well as economic development. The potential risks include lack of adherence to fair labor practices, unsafe working conditions and community health and safety concerns related to war hazards such as explosive remnants of war and aerial strikes. The TA on developing a green regulatory framework would result in significant environmental benefits. However, the transition process (from their current state of operations to a more improved, energy efficient and sustainable state) may also result in some adverse impacts that may typically arise from the implementation of new technologies and changes to the existing infrastructure needed to achieve these goals as well as handling of obsolete equipment, systems and materials. IT solutions and development of digital platforms require energy use and generate electronic waste. Specifically, this IPF will finance the procurement and installation of hardware and software for Made in Ukraine agency (computers - Working stations 10 pcs with access licenses for Microsoft and Atlassian products; printers, Cloud & Cybersecurity, laptops for 260 employees in 26 branches). These activities can result in the generation of e-wastes that will require careful management. The quantity of e-waste that will be generated are expected to be limited and relatively easy to manage in a manner consistent with the ESF and other international conventions on hazardous substances. Ukraine has national requirements for the safe management of e-wastes. In addition, the ESCP includes specific action that will ensure the preparation and implementation of e-waste management plan prior to the commencement and operationalization of the corresponding activities that will generate e-wastes. The overall potential environment risks and impacts from TA activities are likely to be site-specific, moderate in scale and can be mitigated in a predictable manner. The Program will ensure incorporation of proper safety measures in line with national legislation and War-Hazard Emergency Preparedness and Response Guidance into all envisaged activities requiring physical presence of people on site. The ESCP will specify that the TOR and outputs of technical assistance, such as on developing a green regulatory framework, shall be conducted in a manner consistent with the ESF.

A.2 Social Risk Rating

Moderate



[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The Social Risk Rating for the IPF component is considered Moderate. The typology of the proposed TA is categorized Type 2 (Supporting the formulation of policies, programs, plans, strategies or legal frameworks) and Type 3 (Strengthening borrower capacity), as per "WB OESRC Advisory Note on TA and the ESF". Type 1 (Supporting the preparation of future investment projects) is not anticipated at this stage. While the proposed TA activities themselves will carry limited social risks or impacts, there are potential risks for the project workers (PCU staff and other consultants engaged for TA activities) regarding the labor and working conditions (including fair treatment, non-discrimination and equal opportunities, SEA/SH risks at workplace and access to grievance mechanism), in addition to the safety risks stemming from war hazards (as highlighted in the environmental risk rating section). Other social risks relate to potential inadequate inclusion of vulnerable groups in capacity building and stakeholder engagement activities while the Program is nationwide in geographic scope and takes place within the context of the Russian invasion of Ukraine. Subject to overriding security concerns and the implications of martial law, the project will ensure transparency and accessibility to TA activities through stakeholder participation, public information disclosure and grievance mechanism through the use of IT tools (online consultations etc.).

[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]

B. Environment and Social Standards (ESS) 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

[Explanation - Max. character limit 10,000]

While the capacity building activities themselves will pose limited E&S risks, they will include OHS and community health and safety risks during in-person capacity building and stakeholder engagement activities from war-hazards. The ToR for the Green Regulatory Framework TA will include a requirement of a detailed assessment on E&S impacts and mitigations associated with the shift towards meeting the Deal. The project will prepare Emergency Preparedness and Response Plan (as a standalone document accessible to the wide audience) applicable to all such activities. The ESCP will be disclosed before Appraisal specifying that the TORs for the contractual services for various TA activities will incorporate measures to comply with relevant ESSs (e.g., SEA/SH Code of Conduct; war-hazard emergency and preparedness plan; labor and working conditions; and use and disposal of digital equipment). An E-Waste Management Plan will be prepared and disclosed prior to the start of relevant activities.



ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Explanation - Max. character limit 10,000]

The TA activities include capacity building, outreach and awareness activities to support implementation of the Program. Social risks relate to ensuring that outreach and accessibility of capacity building activities are inclusive across geographically and socioeconomically dispersed stakeholders experiencing varying effects of the war. The ESCP will set out the requirements for designing TA activities to ensure transparency and accessibility through stakeholder participation, public information disclosure and grievance mechanism, consistent with ESS10. No stand-alone SEP will be prepared. It should be noted that, due to the implications of martial law, organizing in-person consultations could pose safety risks to stakeholders and would not be feasible. As such, virtual consultations will be the consultation modality.

ESS2 - Labor and Working Conditions

Relevant

[Explanation - Max. character limit 10,000]

The Program will have a limited number of direct and contracted workers. Direct workers will include consultants to be engaged as PCU staff. Contracted workers may include other consultants/experts to be engaged to support capacity building program. The project will be also supported by government civil servants who will likely remain under their existing employment arrangements. Ukraine's Labor Code is relatively advanced with measures covering equal opportunity and non-discrimination, regulates hiring and firing procedures, allows for collective bargaining and forbids forced and child labor. Absent is a requirement for a worker grievance mechanism. Given the limited number of workers operating in professional, supervised environments, no stand-alone LMP will be prepared. The ESCP will specify labor & working conditions consistent with ESS2, including worker health & safety (OHS) in emergency situations situations (such as ERW and aerial strikes) and SEA/SH Code of Conduct.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant

[Explanation - Max. character limit 10,000]

This standard is relevant considering waste generation and opportunities to bring resource efficiency to activities supported by the IPF. Technical assistance will include the drafting green finance regulatory framework in line with the European Green Deal objectives (EU taxonomy); (ii) Promoting smart infrastructure in industrial parks - implementing smart infrastructure solutions, such as IoT (Internet of Things) sensors and AI-driven management systems to improve energy efficiency, waste management, and resource utilization; (iii) Development of Online tool for SMEs to self-assess their carbon footprint; and (iv) Technical assistance for eco-industrial parks transformation. In particular, though the use of modern IT solutions will increase resource efficiency manifold, this activity can result in an increase in e-waste and solid waste in the nodal institutions. The project will review (a) the extent of software/hardware purchase expected, (b) current practices of handling electronic and solid



waste; (c) facilities and arrangements to handle the disposal of IT equipment, (d) opportunities to incorporate resource efficiency in all purchases, equipment and uses, (e) mechanisms to integrate waste management in all relevant activities. The ToRs for the selection of vendors will include the requirements for arranging the disposal of equipment (end-of-life and during repairs) in line with the National Rules and good practices. The project will consider energy efficiency measures consistent with the ESF and the European Green Deal.

ESS4 - Community Health and Safety

Relevant

[Explanation - Max. character limit 10,000]

Missile/drone attacks continue to be a threat across the entire country. There is potential for security incidents due to aerial attacks during the delivery of the TA activities supported by the project. A War-Hazard Emergency Preparedness and Response Plan will be prepared outlining measures in response to community health and safety risks associated with the operating context, including measures to promote community awareness. This commitment will be outlined in the ESCP.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not Currently Relevant

[Explanation - Max. character limit 10,000]

N/A

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not Currently Relevant

[Explanation - Max. character limit 10,000]

N/A

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

Not Currently Relevant

[Explanation - Max. character limit 10,000]

N/A

ESS8 - Cultural Heritage

Not Currently Relevant

[Explanation - Max. character limit 10,000]

N/A

ESS9 - Financial Intermediaries

Not Currently Relevant



[Explanation - Max. character limit 10,000]

N/A

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

TBD

B.3 Other Salient Features

Use of Borrower Framework

No

[Explanation including areas where "Use of Borrower Framework" is being considered - Max. character limit 10,000]

ESF will guide the implementation of this project.

Use of Common Approach

No

[Explanation including list of possible financing partners - Max. character limit 4,000]

Common Approach is not applicable under this project.

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD - Max. character limit 10,000]

The Environmental Risk Rating for the IPF component is considered Moderate. The proposed project is an IPF component of a broader Program for Results (PforR) operation. The IPF activities focused on operational support to implementing agencies and change management primarily aim to strengthen institutional capacities and facilitate capacity building. These activities involve engaging consultants and potentially recruiting new government staff. In addition, this IPF component will support a number of activities that can lead to positive environmental outcomes including: (i) Technical assistance with drafting green finance regulatory framework in line with the European Green Deal objectives (EU taxonomy); (ii) Promoting smart infrastructure in industrial parks - implementing smart infrastructure solutions, such as IoT (Internet of Things) sensors and AI-driven management systems to improve energy efficiency, waste management, and resource utilization; (iii) Development of Online tool for SMEs to self-assess their carbon footprint; and (iv) Technical assistance for eco-industrial parks transformation supporting both local and national goals for environmental and resource use as well as economic development. The potential risks include lack of adherence to fair labor practices and unsafe working conditions. In addition, given the context of Ukraine, potential risks include community health and safety concerns related to war hazards, such as explosive remnants of war and aerial strikes. The TA on developing a green regulatory framework to align SMEs with the European Green Deal objectives



would result in significant environmental benefits. However, the transition process (from their current state of operations to a more improved, energy efficient and sustainable state that aligns with the European Green Deal) may also result in some adverse impacts. These negative impacts may typically arise from the implementation of new technologies and changes to the existing infrastructure needed to achieve these goals as well as handling of obsolete equipment, systems and materials. The activities related to IT solutions and development of digital platforms require energy use and generate electronic waste that require diligent handling. Specifically, this IPF will finance the procurement and installation of hardware and software for Made in Ukraine agency (computers - Working stations 10 pcs with access licenses for Microsoft and Atlassian products; printers, Cloud & Cybersecurity, laptops for 260 employees in 26 branches). These activities can result in the generation of e-wastes that will require careful management. The quantity of e-waste that will be generated are expected to be limited. Ukraine has national requirements for the safe management of e-wastes. Given the existing practices relating to the reuse and recycle of such wastes, the envisaged quantity of e-wastes that will be generated will be small and relatively easy to manage in a manner that is consistent with the ESF and other international conventions, such as the Basel convention on the trans-boundary movement of hazardous substances. The ESCP includes specific action that will ensure the preparation and implementation of e-waste management plan prior to the commencement and operationalization of the corresponding activities that will generate e-wastes. Overall, the potential project-related risks and impacts on the environment from TA activities are likely to be site-specific, moderate in scale and can be mitigated in a predictable manner. The Program will ensure incorporation of proper safety measures in line with national legislation and War-Hazard Emergency Preparedness and Response Guidance into all envisaged activities requiring physical presence of people on site. Also, the ESCP for the project will specify that the terms of reference and outputs of technical assistance, such as on developing a green regulatory framework, shall be conducted in a manner consistent with the ESF.

The Social Risk Rating for the IPF component is considered Moderate. While the proposed TA activities themselves will carry limited social risks or impacts, there are potential risks for the project workers (PCU staff and other consultants engaged for TA activities) regarding the labor and working conditions (including fair treatment, non-discrimination and equal opportunities, SEA/SH risks at workplace and access to grievance mechanism), in addition to the safety risks stemming from war hazards (as highlighted in the environmental risk rating section). Other social risks relate to potential inadequate inclusion of vulnerable groups in capacity building and stakeholder engagement activities while the Program is nationwide in geographic scope and takes place within the context of the Russian invasion of Ukraine. Subject to overriding security concerns and the implications of martial law, the project will ensure transparency and accessibility to TA activities through stakeholder participation, public information disclosure and grievance mechanism through the use of IT tools (online consultations etc.).

While the SEA/SH risk rating for this IPF component is considered Low, it will implement relevant mitigation measures including SEA/SH code of conduct to manage relevant risks during the TA activities, as per the Good Practice Note on managing SEA/SH risks.



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 by implementation?

[Description of expectations in terms of documents to be prepared to assess and manage the project's environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]

Draft Environmental and Social Commitment Plan (ESCP) by Appraisal (including commitments on TOR for TA activities undertaken in a manner consistent with the ESF, labor and working conditions, SEA/SH Code of Conduct, use and disposal of digital equipment, War-Hazard Emergency Preparedness and Response measures and stakeholder engagement).

III. CONTACT POINT

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