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# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Dec-2022 | Report No: PIDA35225

**BASIC INFORMATION****A. Basic Project Data**

Country Ukraine	Project ID P180318	Project Name Repairing Essential Logistics Infrastructure & Network Connectivity (RELINC) Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 19-Dec-2022	Estimated Board Date 23-Dec-2022	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Ukraine	Implementing Agency Ukrzaliznytsia, Ukravtodor, Ministry of Communities Territories and Infrastructure Development of Ukraine	

## Proposed Development Objective(s)

The Project Development Objective is to provide the means for mitigating the immediate impact that disrupted transport networks have on Ukraine's population and economy.

## Components

Component A: Lifeline road connections

Component B: Lifeline rail connections

Component C: Technical support for urgently needed recovery and reconstruction initiatives and project management

Component D: Contingent emergency response

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	585.00
<b>Total Financing</b>	50.00
<b>of which IBRD/IDA</b>	0.00
<b>Financing Gap</b>	535.00



DETAILS

Non-World Bank Group Financing

Trust Funds	50.00
Trust Funds	50.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

A. Country Context

1. **On February 24, 2022, the Russian Federation initiated a full-scale invasion of Ukraine, resulting in substantial civilian casualties, displacement of millions of people, widespread destruction of infrastructure, and disruption of service delivery.** Since February 2022, some 16,150 civilian casualties have been officially recorded: 6,374 killed and 9,776 injured, with unofficial numbers likely to be much higher.<sup>1</sup> Some 7.7 million people (about half of whom are children) have become refugees in the European Union (EU), with more fleeing to other countries.<sup>2</sup> About 6.24 million people have been displaced internally,<sup>3</sup> with women making up about 60 percent of the adult population of internally displaced peoples.<sup>4</sup> Nearly half of the internally displaced people between 18 and 64 years old reported no income.<sup>5</sup> Many more Ukrainians need life-saving humanitarian aid, especially as food and essential services are severely constrained in the areas affected by fighting. In response to the increased income insecurity, 55 percent of households report having reduced their food consumption and 46 percent report having reduced their healthcare spending.<sup>6</sup>

<sup>1</sup> Office of the High Commissioner for Human Rights. 2022. "Ukraine: civilian casualty update 24 October 2022." <https://www.ohchr.org/en/news/2022/10/ukraine-civilian-casualty-update-24-october-2022>.

<sup>2</sup> United Nations High Commissioner for Refugees, October 19, 2022 (Operational Data Portal). <https://data.unhcr.org/en/situations/ukraine>.

<sup>3</sup> International Organization of Migration (IOM). 2022. Ukraine Internal Displacement Report, Round 9. September 26, 2022. [https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM\\_Gen%20Pop%20Report\\_R9\\_IDP\\_FINAL%20%281%29%20%282%29.pdf](https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R9_IDP_FINAL%20%281%29%20%282%29.pdf).

<sup>4</sup> IOM. 2022. Ukraine Internal Displacement Report Round 3. 17 April 2022. <https://displacement.iom.int/reports/ukraine-internal-displacement-report-general-population-survey-round-3-11-17-april-2022>.

<sup>5</sup> IOM. 2022. Ukraine Internal Displacement Report, Round 8. August 23, 2022. [https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM\\_Gen%20Pop%20Report\\_R8\\_ENG\\_updated%20logo%20%281%29.pdf](https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R8_ENG_updated%20logo%20%281%29.pdf).

<sup>6</sup> IOM. 2022. Ukraine Internal Displacement Report, Round 9. September 26, 2022. [https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM\\_Gen%20Pop%20Report\\_R9\\_IDP\\_FINAL%20%281%29%20%282%29.pdf](https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R9_IDP_FINAL%20%281%29%20%282%29.pdf).



2. ***The war in Ukraine has had substantial economic, social, and poverty consequences.***<sup>7</sup> It has significantly disrupted economic activities in a number of ways: damage to productive assets and infrastructure, logistics problems, labor force losses, decimated supply and demand chains, increased uncertainty, and elevated risks. The contraction in gross domestic product (GDP) in 2022 is projected to be around 35 percent year-on-year. The downside risks are high, related to the unpredictability of the protracted war and high potential for further large-scale damage of infrastructure and negative social and poverty impacts. Based on the global poverty line of US\$6.85 per day (2017 purchasing power parity), poverty is projected to increase from 5.5 percent in 2021 to 25 percent in 2022. Headline inflation hit 24.6 percent in September 2022, with high food price inflation hurting the poor in particular. Yet, despite the war, the Government has continued to deliver key public services and the financial sector is functioning normally, stabilizing the foreign exchange market.

3. ***Unsurprisingly, public revenues are under immense stress, while war-time expenditures are growing. Before February 2022, the fiscal deficit was expected to narrow over the medium-term to just under 2.5 percent of GDP by 2024, helped by a recovery in tax revenues.*** However, since February 2022, the Government has made strategic decisions to reduce the tax burden on the population (both individuals and businesses) during a time of crisis, resulting in a sharp decline in tax revenues. Specifically, tax collection has been deferred for key businesses, land and municipal taxes have been suspended for the duration of the war, and the Government has shifted to a simplified tax regime for extended categories of taxpayers. In addition, overall war-related declines in economic activity (including due to out-migration) and the inability to collect taxes in conflict areas also contribute to constrained tax revenues. In this context, the Government has made efforts to cut non-essential current expenditures and capital spending and has reached an agreement with external creditors regarding a two-year debt deferral. Nevertheless, fiscal financing needs – consisting of the deficit (excluding grants) and debt repayments - are expected to grow from US\$4 billion per month in the first half of 2022 to US\$4.5 billion per month in the second half of 2022 (including US\$2 billion of non-military needs). In addition to non-military monthly financing needs, starting from September 2022, the Government could also face the high costs of gas purchases by Naftogaz for the heating season (US\$2.2 billion) and funding of the most critical reconstruction needs (US\$3.4 billion).

4. ***Similarly, sharp export declines after the invasion generated immediate balance of payments pressures. Exports have fallen precipitously as the Black Sea ports were completely closed from February until July 2022.*** Despite some resumption of agricultural exports under the deal brokered through the United Nations (UN), their capacity is rather limited. Beginning in May 2022, imports recovered quickly. On the capital account, pressures have emerged from the withdrawal of foreign exchange by Ukrainian refugees. Since February 2022, the National Bank of Ukraine has spent around US\$12 billion on currency interventions. This has eroded international reserves, which declined from a pre-war level of US\$29 billion to US\$22.4 billion at the end of July 2022. In August 2022, reserves improved to US\$25.4 billion thanks to donor support.

5. ***The Government's proposed 2023 budget is austere, with substantial compression of social and other non-military expenditures.*** The public sector wage bill (including health and education) will be cut by 10 percent, the minimum wage and subsistence minimum income (based on which social transfers are calculated) have been frozen in nominal terms, and capital expenditures have been minimized (US\$700 million), leaving most recovery and reconstruction needs unfunded. Even after these cuts in social expenditure, fiscal needs are estimated at US\$3-4 billion per month.

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<sup>7</sup> All statistics in this and subsequent sections are estimates by World Bank Staff based on official statistics of Ukraine's public authorities.



6. **To estimate the damages and losses resulting from the war, the Government of Ukraine, the World Bank Group (WBG) and the European Commission, in cooperation with development partners, conducted a Rapid Damage and Needs Assessment (RDNA).** Specifically, the RDNA assessed the impact of the war on the population, human development, service delivery, physical assets, infrastructure, productive sectors and the economy. As of June 1, 2022, direct damage had reached over US\$97 billion, with housing, transport, and commerce and industry being the most affected sectors.

7. **The funding needs for recovery and reconstruction are immense, and by June 2022 were estimated at approximately US\$349 billion, which is more than 1.6 times Ukraine's 2021 GDP.**<sup>8</sup> About one-third of this amount (US\$105 billion) is estimated to be needed in the immediate- and short-term to address the most urgent needs, including social infrastructure (such as schools and hospitals), preparation for the upcoming winter through winterization and restoration of heating and energy to homes, urgent repairs, gas purchases, support to agriculture and social protection, and restoration of vital transport routes. Such investments will lay the groundwork for a safe, prioritized, and efficient recovery and reconstruction that will help Ukraine on its development path towards a more modern, low-carbon, and inclusive country that is more closely aligned with European standards.

8. **Recovery and reconstruction will also need to consider Ukraine's vulnerability to the impact of climate change.** This includes vulnerability to wildfire, droughts, high temperatures, heatwaves, heavy precipitation, mudslides, and floods. Ukraine has made impressive commitments to addressing climate change and, in January 2020, published a draft concept of its Green Energy Transition of Ukraine until 2050, which aims at increasing renewable energy share in the national energy balance up to 70 percent by 2050,<sup>9</sup> and announcing plans to increase its mitigation target for 2030 to 58 percent from its previous target of 40 percent at the 2020 Climate Ambition Summit.<sup>10</sup> However, the ongoing war significantly exacerbates the climate risks in the country and weakens the capacity to manage climate-related vulnerabilities.

## B. Sectoral and Institutional Context

9. **The war has affected about 26 percent of Ukraine's area including critical corridors for imports and exports.** Most notably, there have been severe disruptions to maritime ports along the Black Sea and Azov Sea which previously handled approximately 135–150 million tonnes of cargo per year prior to the war. This included approximately 70 percent of all exports and specifically about 95 percent of all grain exports from Ukraine. In lieu of Black Sea access, Ukraine's shippers are reliant on longer road and rail routes to ports on the Baltic, Adriatic, Atlantic, or Romanian/Bulgarian Black Sea coast. The additional distance required to reach alternative ports is approximately 1,200–1,500 km, which adds direct transport cost to shipping via alternative routes. Beyond the direct cost of transport, war-related disruptions to logistics chains impose additional cost due to higher inventory carrying costs, additional chance of spoilage or loss during transit, and greater complexity in coordinating the logistics chain to more distant ports.

10. **Direct damage to Ukraine's transport network is extensive totaling more than US\$ 29.9 billion and economic losses from disrupted transport total an additional US\$ 26.1 billion as of June 1, 2022.** A particularly

<sup>8</sup> World Bank, Government of Ukraine, and European Commission. 2022. Ukraine Rapid Damage and Needs Assessment, August 2022. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/37988>.

<sup>9</sup> Concept of "Green" Energy Transformation by 2050.

[https://mepr.gov.ua/files/images/news\\_2020/14022020/enq\\_pdf\\_%D0%B7%D0%B5%D0%BB%D0%B5%D0%BD%D0%B0%20%D0%BA%D0%BE%D0%BD%D1%86%D0%B5%D0%BF%D1%86%D1%96%D1%8F%20\(1\).pdf](https://mepr.gov.ua/files/images/news_2020/14022020/enq_pdf_%D0%B7%D0%B5%D0%BB%D0%B5%D0%BD%D0%B0%20%D0%BA%D0%BE%D0%BD%D1%86%D0%B5%D0%BF%D1%86%D1%96%D1%8F%20(1).pdf)

<sup>10</sup> <https://www.president.gov.ua/en/news/ukrayina-posilit-svoyu-uchast-u-globalnij-borotbi-zi-zminoyu-65569>



noteworthy element of transport infrastructure damage has been road and railway bridges (3.5 million m<sup>2</sup> and 63,000 m<sup>2</sup> damaged respectively)<sup>11</sup>. The extent of damage to bridge assets aligns with the critical role that bridges play in connectivity. As readily identifiable, critical points, bridges have been deliberately targeted throughout the war to sever or deny access. The war has also affected critical corridors for imports and exports and created urgent needs to develop alternatives. Economic losses from disruptions to maritime ports along the Black Sea and Azov Sea have been particularly severe. Port disruptions alone have created an estimated US\$ 17.9 billion in economic losses for Ukraine between February 24 and June 1 (67% of total transport losses for that same period). In addition, the war has created significant needs for transporting Internally Displaced Persons (IDPs), refugees, and humanitarian cargo. UZ alone provided an estimated US\$ 364 million in services to transport IDPs, refugees, and humanitarian cargo during the first 3-4 months of war alone.

11. **Rapid emergency repairs are urgently needed to enable Ukraine's transport network to support humanitarian relief and recovery in war affected communities.** The Bank estimates that 2,100 villages, 51 towns, and 35 cities in areas that have returned to Government of Ukraine control are experiencing disrupted transport networks due to war. There are also 728 further linkages on Ukraine's wider road and railway network as of June 1, 2022 (beyond formerly occupied areas) that have suffered war damages. Restoring the transport network's basic functionality is an essential precondition for relief and recovery from war related impacts. However, there is a need to use technical approaches that can be deployed quickly and without major civil works due to disrupted supply chains and contractor markets in Ukraine. Modular bridge solutions have therefore been identified as viable short-term solutions for restoring network functionality in the case of damaged road and railway bridges. Modular bridge solutions consist of standardized prefabricated steel components designed for quick assembly on sites (often in a matter of days). They can be adapted to specific site needs and configured to meet different loading requirements for a given road or rail line. While they are quick to deploy, they can serve for years if needed. They can be removed and redeployed to other points on the transport network as permanent repairs are eventually implemented. Modular bridges are available from international suppliers and can be delivered to staging areas or sites in "kits" or bespoke configurations if needed using shipping containers or other means of road or rail cargo transport. Modular bridges have been used to restore damaged transport network access in numerous Fragile and Conflict Affected (FCV) contexts including Bosnia and Herzegovina, Iraq, and Afghanistan. They are also commonly stocked by road and rail agencies globally as a measure to enhance climate or other forms of resilience by enabling rapid response to unexpected bridge failures.

12. **Road border crossings and increased use of containerized rail transport are priorities for resilient westward logistics chains that protect Ukraine's economy and enable critical supplies to reach the Ukrainian people.** Road borders have been heavily capacity constrained throughout 2022. For example, during August 2022, border queues for trucks transporting agricultural commodities from Ukraine were estimated to stretch 40 km and require 5-6 days to clear. This was estimated to cost Ukrainian farmers an additional US\$80-90 per ton of agricultural product that they managed to export.<sup>12</sup> Investments to expand throughout capacity of road Border Crossing Points (BCPs) and the road networks connecting to them are urgently needed to alleviate these constraints. Ukraine's railway has traditionally focused on bulk transport (i.e. moving loose cargo in boxcars, hopper wagons, tank cars, or gondola cars). In contrast, EU railways have increasingly focused on containerized cargo (20 or 40 foot shipping containers) which relies on flatbed wagons rather than bulk cargo rolling stock. In 2020 about 20.6% of all EU rail freight tonne-km were containerized which represents continual year on year

<sup>11</sup> As of June 1, 2022. These figures do not include additional damages following the additional liberation of territory in Kharkiv Oblast and Kherson that occurred during the summer and fall of 2022.

<sup>12</sup> The letter of German Der Agrarhandel (Association of Agricultural Trade) to the EU commission on the logistics of grains and oilseeds from Ukraine sent on August 23, 2022.



growth in containerization since 2010<sup>13</sup> when only 15.4% of EU rail cargo tonne-km were containerized. In contrast, containerized rail freight represents only around 2.1% of UZ's annual tonne-km. Rolling stock fleets on either side of the break of gauge reflect this difference which results in a "mismatch" between rolling stock fleets. Between July and September 2022, UZ trains have reportedly needed to wait an average of 13.3 days for the availability of rolling stock on 1435 mm networks. The project's support to expand the containerized cargo capacity of Ukraine's railway with additional flatbed wagons will help address this by configuring cargo in a form that aligns better to EU logistics chains and also simplifies transloading across different railway gauge. It will also facilitate the movement of containerized humanitarian aid. Between March and mid-November 2022 along UZ transported just under 4,000 shipping containers of humanitarian aid via flatbed wagons (roughly 15 containers per day) for which they receive no revenue and provide transport as a public service. The Project's support to enhancing westward logistics chains (road and rail) is highly complementary to the European Union's "Solidarity Lanes" program that seeks to help Ukraine export its agricultural produce via Europe's transport network.

13. ***Alongside emergency repairs and enhancements to transport "lifelines," there is a parallel urgent need to ready Ukraine's transport institutions and implement key reforms that will amplify benefits of development assistance.*** The international experience of relief, recovery, and reconstruction efforts in conflict-affected countries provides clear evidence that reforms to enhance transparency, improve institutional effectiveness, and ensure accountability are critical to initiate even while war is ongoing. Ukraine's Ministry of Communities Territories and Infrastructure Development (MoCTID) is actively pursuing initiatives to restructure underperforming legacy procedures, augment anti-corruption systems, systematize donor coordination, and develop urgently needed complex projects to international standards of technical, social, and environmental quality. Binding fiscal and capacity constraints affect the speed and effectiveness of these efforts. There is a corresponding opportunity for urgent assistance from development partners to support MoCTID in achieving reform objectives to increase readiness for delivering urgent initiatives. If successful, this would pay immediate benefits to relief operations with additional benefits accruing during subsequent recovery and reconstruction phases across the transport sector.

14. ***MoCTID is the lead oversight and policy institution for Ukraine's transport sector and oversees the implementing bodies for national roads and Ukraine's railway.*** The State Road Agency of Ukraine Ukravtodor (UAD) is the MoCTID's implementing agency for the national road network and a small subset of local roads. Ukrzaliznytsia (UZ) is a joint stock company that is wholly owned by Ukraine's Cabinet of Ministers with responsibility for Ukraine's railway sector. The most notable funding flows in the transport sector prior to the war occurred in the road sector through a national road fund under UAD (US\$2 billion in 2021). UZ's pre-war annual turnover was averaging approximately US\$ 2.5 - 3 billion across both freight and passenger services with minimal inputs from public funds but a heavy cross subsidy between freight services and passenger services. The war has affected the financial landscape across the transport sector considerably, but both UAD and UZ remain able to fund their basic operations with ongoing support from the international community.

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<sup>13</sup> Eurostat: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Freight\\_transported\\_in\\_containers\\_-\\_statistics\\_on\\_unitisation](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Freight_transported_in_containers_-_statistics_on_unitisation)





C. Project Development Objective

PDO Statement

15. The Project Development Objective is to provide the means for mitigating the immediate impact that disrupted transport networks have on Ukraine’s population and economy.

Intended results

16. The proposed Project aims at three key results: (i) providing means to relink communities with transport access; (ii) providing capacity to increase the resilience of critical logistics chains; and (iii) accelerating Ukraine’s recovery and reconstruction of Ukraine’s transport network. These are summarized below.

Key Result	Objective(s)	Indicators
Provide the means to relink communities with transport access	<ul style="list-style-type: none"> <li>Enable emergency repairs to Ukraine’s transport network that can relink communities with the transport accesses needed to support essential relief and reconstruction efforts.</li> </ul>	<ul style="list-style-type: none"> <li>Estimated # of communities that can be reconnected using Project supplied materials and equipment</li> </ul>
Provide capacity to increase the resilience of critical logistics chains	<ul style="list-style-type: none"> <li>Increase the capacity of Ukraine’s westward logistics chains to mitigate the impact of disrupted Black Sea access and facilitate physical integration with the EU and Moldova.</li> </ul>	<ul style="list-style-type: none"> <li>Increased container transport haulage capacity of UZ’s rolling stock fleet;</li> <li>Additional throughput capacity available for trucks at western border crossings.</li> </ul>
Accelerate recovery and reconstruction of Ukraine’s transport network	<ul style="list-style-type: none"> <li>Prepare Ukraine’s transport sector institutions for delivering recovery and reconstruction activities;</li> <li>Advance readiness of essential projects for recovery and reconstruction investment to a standard needed for sourcing funding / financing from development partners.</li> </ul>	<ul style="list-style-type: none"> <li>Adoption and implementation of cost estimation reform by MoCTID;</li> <li>US\$ equiv. value of projects readied for urgent repair or reconstruction on road and rail networks (including bridges).</li> </ul>

D. Project Components

Summary

17. **The proposed Project’s design consists of four components:** Components A & B will finance physical elements needed to ensure essential transport network functionality for: (i) humanitarian relief and recovery in war affected communities; and (ii) enhancing the resilience of economically vital westward logistics chains that connect Ukraine to EU neighbors and Moldova. Component C focuses on Ukraine’s transport sector institutions and initiating the key reforms they need to advance readiness for delivering larger and more complex recovery programs which are likely to involve extensive cooperation with development partners. Component D provides a contingency response capability if required. Specific investments under each component are described below. Annex 2 contains a summary table of total needs under the framework project, current funding, and expected future funding by component at Appraisal.





**Component A: Lifeline road connections (US\$ 23.5 mln funded; estimated funding need is US\$ 289 mln)**

- **A1: Modular bridges needed to restore damaged road bridge connections:** This sub-component will fund: (i) procurement of modular bridge systems (approximately 500 linear meters) needed to provide immediate and urgent repairs to restore damaged road network bridges; (ii) transport of modular bridge systems into Ukraine and delivery to UAD staging areas; (iii) training on modular bridge installation for UAD.
- **A2: Materials required for urgent road repairs and winter access:** This sub-component will fund: (i) procurement of materials required for road repair and ensuring road access during winter months, including aggregates, bitumen, salt, grit, and road safety related equipment (including temporary barriers, signage, lighting, crash attenuators); and (ii) delivery of materials and equipment into Ukraine to UAD staging areas.
- **A3: Enhancement to western road Border Crossing Points (BCPs) to mitigate impacts of Black Sea disruption:** This sub-component will fund: (i) procurement of scanning equipment for heavy goods vehicles and passenger cars for high priority BCPs; (ii) procurement of video surveillance for heavy goods vehicle zones at BCPs; and (iii) other equipment or technology solutions as needed to facilitate BCP operations.

**Component B: Lifeline rail connections (US\$ 23.5 mln funded; estimated funding need is US\$ 289 mln)**

- **B1: Flatbed wagon production to increase containerized transport capacity:** This sub-component will fund flatbed railway wagon production which is urgently needed to increase the capacity of Ukraine's railway to move containerized freight. The expected quantity of flatbed wagons is approximately 200 units.
- **B2: Materials, components, and equipment for repair of vital rail lines:** This sub-component will fund procurement of: (i) steel rail; (ii) sleepers and fasteners; (iii) switches; (iv) power supply equipment; and (v) safety and signaling equipment as needed to repair damaged railway lines and corresponding railway power supply systems.
- **B3: Rolling stock for operational efficiency:** This sub-component will fund: (i) procurement of 1435 mm gauge rolling stock for transport of agricultural commodities (hopper cars and tank wagons needed for grain and oil seeds) on European railway networks; (ii) procurement of shunting locomotives to enhance resilience and efficiency of shunting operations; and (iii) mainline locomotives (both diesel and electric). This additional rolling stock is urgently needed to support export of Ukraine's agricultural commodities via EU ports.
- **B4: Materials and modular bridges for damaged rail bridge repairs:** This sub-component will fund: (i) procurement of modular bridge systems to restore damaged rail network bridge connections; (ii) procurement of steel members and other materials for repair of damaged rail bridges in-situ where technically feasible; (iii) training on modular bridge installation for UZ; and (iv) transport of modular bridge systems and materials into Ukraine and delivery to UZ staging areas.

**Component C: Technical support for urgently needed recovery and reconstruction initiatives and project management (US\$ 3 mln funded; estimated funding need is US\$ 7 mln)**

18. The subcomponent will fund (i) the cost associated with support from UNOPS for deploying the project's initial US\$ 50 million funding; (ii) technical studies, including the detailed engineering designs and feasibility study; (iii) stakeholder engagement, a sector-wide Environmental and Social Management Framework (ESMF) and environmental and social instruments; (iv) incremental operating costs and delivery consultancy support within



MoCTID / UZ / UAD; and (v) Project audits, technical supervision consultants for remote supervision and verification of transportation and delivery of the procured goods.

**Component D: Contingent emergency response (US\$ 0 million)**

19. **Given the inherent uncertainty created by ongoing war, this zero-dollar component is designed to provide swift response in the event of an emerging crisis or emergency.** The Government of Ukraine would be able to request the World Bank to reallocate Project funds to address humanitarian or other critical emergency needs that may materialize. In the event this Component would be triggered, a Contingent Emergency Response Manual (“CERC Manual”) will be prepared by MoCTID / UAD / UZ (or a combination depending on the nature of the emergency concerned). This will specify implementation arrangements for the component, including its activation process, roles and responsibilities of implementing agencies, a positive list of activities that may be financed, ESF related instruments, and fiduciary arrangements.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

**E. Environmental and Social**

20. The project envisages road repair works, installation of temporary bridges and repairs to existing bridges, as well as supply of materials and equipment to rehabilitate/upgrade road/rail infrastructure. Environmental and social risks and impacts are mostly associated with project-related civil works (for construction / rehabilitation / installation of infrastructure / equipment), lack of workers’ awareness on occupational health and safety requirements such as the use of Personal Protective Equipment (PPE) and safe workplace practices. To manage these risks, the Implementing Agencies will prepare an Environmental and Social Management Framework (ESMF) that will include procedures, criteria, and responsibilities for subproject screening for identifying those which might require full Environmental and Social Management Plan (ESMP) or simplified ESMP Checklist.

21. Project-related risks may be exacerbated by potential targeted or indiscriminate aerial bombardments and other military actions which add an element of extreme uncertainty and risk of fatality or serious injury to project workers and nearby communities that cannot be entirely mitigated by environmental and social management measures. Additional threats to workers are posed by explosive remnants of war (ERW). An **Emergency Preparedness and Response Framework/Plan** will accordingly be prepared as part of project ESMF/site-specific ESMPs. Preventative measures required to be in place for the project activities under emergency conditions will be described in the project’s Environmental and Social Commitment Plan (ESCP) and Project Operations Manual (POM).



22. In addition, the project will also finance project preparation, including the detailed designs, environmental & social instruments, and financial / economic analysis for multiple urgently needed recovery / reconstruction projects that require preparation. To assess and mitigate potential risks and impacts related to these upcoming projects, the project will also support preparation of a **sector-wide ESMF** for broad use in readying environmental and social instruments needed for donor-supported recovery and reconstruction initiatives in the transport sector.

23. **The project has prepared the Stakeholder Engagement Plan (SEP)** which identifies potential project-affected and other interested parties and outlines measures for engagement with these stakeholders. The SEP is prepared based on limited online consultations with representatives of key stakeholder groups and specified the institutional roles and responsibilities, timeline, and budget for conducting the stakeholder engagement during implementation.

24. **Using recent experience from IBRD-financed projects in Ukraine's transport sector, an accessible grievance redress mechanism (GRM) for the project will be established, publicized, maintained, and operated during implementation.** This will be housed at the central level, regional and local levels in a transparent manner that is culturally appropriate. The GRM will be 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 grievance mechanism will be able to receive, register and address concerns and grievances related to SEA/SH in a safe and confidential manner, including through the referral of survivors to gender-based violence service providers.

25. **The project involves two implementing agencies that have different levels of ESF capacity.** The State Road Agency of Ukraine (Ukravtodor or UAD) has proven track record implementing projects under ESF as well as the Bank's former safeguards policies. UAD has previous experience preparing the required environmental and social instruments that the proposed Project requires. In contrast, Ukrainian Railways (Ukrzaliznytsia or UZ) does not have experience working with the World Bank Environmental and Social Standards (ESSs) and does not have the required environmental and social development personnel to oversee the preparation and implementation of the required ESSs instruments. It will be important that an experienced environmental and social staff is engaged by the PIU's to screen, assess and manage impacts associated with the infrastructure activities and design works, as well as provide ESF-related guidance to local implementing parties. MoCTID will hire an E&S specialist to coordinate two agencies on the environmental and social risk management side and in addition, UAD and UZ will have one environmental expert and one social expert in their respective PIU's. This staffing commitment will be reflected in the ESCP. UN Agency-UNOPS that will serve as procurement and deliver agent for the project also has extensive experience with the Bank-financed project in FCV context both under old safeguards policies and ESF and will ensure ES capacity with the experienced staff assigned for the project.

26. **Citizen Engagement.** Considering lessons learned from other Ukraine transport projects, there is a need for additional citizen engagement to avoid delays and consider citizens' views. To address this, the project integrates citizen engagement mechanisms, which are rapid to implement as required for wartime conditions: (i) rapid and frequent consultations or need assessments with beneficiary communities and civil society. Consultations (and/or need assessments) are crucial for engagement of local residents, help the government to better understand opinions and needs of the population and civil society regarding relinking local communities with transport access, and will enable local communities to express their opinions and needs related to road recovery and reconstruction (Component C); and (ii) an accessible project-level grievance redress mechanism (GRM) and beneficiary feedback mechanism, which will be established, publicized, maintained and operated during implementation. This will be done using recent experience from IBRD-financed projects in Ukraine's



transport sector. The feedback mechanism will be housed at the central, regional and local levels and operate in a transparent manner that is culturally appropriate. It will be accessible to every citizen, including all project-affected parties, at no cost and without retribution, including suggestions, concerns and grievances filed anonymously and, in a manner, consistent with ESS10. The feedback mechanism will be able to receive, register and address suggestions, concerns and grievances to any project-related issue in a safe and confidential manner and will include SEA/SH issues and referrals of survivors to gender-based violence service providers. Results of consultations (and/or need assessments), as well as the feedback mechanism will be disseminated and discussed publicly during follow up consultations - so citizens can see how their feedback has influenced project decision-making (closing the feedback loop).

## F. Implementation

27. **MoCTID will oversee the two project Implementing Agencies – Ukravtodor (UAD) and Ukrzaliznytsia (UZ) – assigned to deliver the Project.** Existing Project Implementation Units (PIUs) within Ukraine’s national road authority UAD and its national railway company UZ will implement the project. MoCTID has assigned a Deputy Minister to oversee the two PIUs and to lead overall project activities. This arrangement will ensure that, where necessary, the Implementing Agencies are coordinated and communicating with each other, and the MoCTID as needed to deliver intended results. The Project’s initial grant agreement will be signed between Ukraine and the Bank for an initial US\$ 50 million in funding. The United Nations Office for Project Services (UNOPS) will support the Implementing Institutions under an Outputs Agreement (Delivery of Outputs under Bank-financed Projects Standard Form of Agreement) with the MoCTID. Subsequent funding / financing arrangements under the framework project may involve additional subsidiary agreements between the MoCTID and Implementing Agencies or alternative arrangements determined at a future time.

28. **While transport networks have suffered extensively due to war, implementation capacity in the transport sector has proven remarkably robust.** UAD and UZ have continued to undertake emergency repairs, deliver services, and inventory damaged assets in reclaimed territory and across Ukraine. The project will be implemented by PIUs within UAD and UZ that have experience of working with IFI supported projects and the associated fiduciary, environmental, social, and technical requirements that they entail. The PIU that operates within UAD has recently implemented the IBRD-financed Road Sector Development Project (RSDP) and Second Road and Safety Improvement Project (RSIP2) under old safeguards policies and 3R: Reconnect, Revitalize, Recover Project under Environmental and Social Framework. The PIU that operates within UZ is currently managing projects financed by the European Investment Bank and the European Bank for Reconstruction and Development. While the PIU within UZ does not have experience of working with IBRD’s ESF and will require additional guidance, it is expected that such support will come from the PIU within UAD and from MoCTID – both of which have extensive experience of working effectively with the Bank. The implementation capacity of UAD, UZ, and MoCTID at Appraisal is considered adequate for the entirety of the proposed framework Project.

29. **There is an immediate need to mitigate the risk of current disruptions to basic utility services which can slow administrative processes.** Throughout the fall and early winter of 2022 missile and drone strikes have disrupted basic utility services throughout Ukraine (e.g. electricity, water supply, heating, telecoms, etc.) which is impacting civilian life and the speed of administrative processes. This poses a risk of delay to the Project’s intended Development Objective. The Project’s involvement of UNOPS for its initial funding (US\$ 50 million) is a temporary solution while disruptions continue. The objectives of this arrangement are to: (i) mitigate the impacts and potential future risks of disrupted utilities services (power, water, heating, telecoms etc.) that are affecting Ukraine; (ii) to allow government to focus its capacity on the delivery of emergency repairs which is a high priority



for protecting the livelihoods of Ukraine’s population; (iii) to provide means for rapidly scaling activities in line with the Project’s framework structure. It is expected that the arrangement with UNOPS would be temporary for the implementation of the initial US\$ 50 million funding that the Project’s framework approach will deploy. However, the Bank will assess the future for continuation or an alternative structure in consultation with Government as Ukraine’s situation evolves.

30. **MoCTID will coordinate across both Implementing Agencies and assign either UZ or UAD to lead activities under Component C as appropriate.** The scope of activities envisaged under Component C will rely on external service providers (e.g. engineering, environmental, social consultancies, or non-governmental organizations) which are available from within Ukraine and / or from the international market. For initially funded elements of Component C under the Project’s initial US\$ 50 million, UNOPS will manage procurement with technical inputs from UAD and UZ as appropriate. It is envisaged that activities in the roads subsector would be assigned to UAD while activities in the railway subsector would be assigned to UZ. For activities such as environmental and social risk management and preparation of the relevant ES instruments including Environmental and Social Management Framework (ESMF) that will cover multiple subsectors, MoCTID will hire an E&S Specialist to coordinate the work across 2 PIU’s with technical inputs to prepare Terms of Reference and to manage the quality of deliverables. Both PIU’s will also have designated environmental specialists and social specialists.

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