



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 10/20/2022 | Report No: ESRSC03051

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

Country	Region	Project ID	Parent Project ID (if any)
Ukraine	EUROPE AND CENTRAL ASIA	P180126	
Project Name	Ukraine Procurement System Enhancement Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing		10/28/2022
Borrower(s)	Implementing Agency(ies)		
SOE Prozorro	SOE Prozorro		

Proposed Development Objective

The development objective is to increase transparency of the Recipient procurement activities and strengthen the capacity of Recipient to implement and monitor procurement activities.

Financing (in USD Million)	Amount
Total Project Cost	0.15

B. Is the project 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 [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Development of Risk-Indicators for Ukraine's Prozorro system and updating of the data analytic platform will increase transparency and accountability of the recipient-executed procurement activities and strengthened the capacity to implement and monitor procurements. These will be used during Ukraine's reconstruction phase and enable stakeholders to identify possible violation to application of the public procurement law.

D. Environmental and Social Overview



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

The Russian invasion of Ukraine 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. The immediate focus is likely to be on restoring essential services and it will require the rapid deployment of significant investment. It is widely recognized that corruption is endemic in post-conflict societies and investments in support of Ukraine's post reconstruction will be at serious risk of corruption, mismanagement, and inefficiency. The Government of Ukraine has already begun active preparation for the post-war procurement. It is planned, that all procurement for recovery, including those funded by international and donor organizations, will be conducted through national procurement system Prozorro.

The objective of the project is to enhance i) monitoring the procurement of reconstruction in Ukraine ii) the Prozorro (Ukrainian national procurement system) e-procurement system to incorporate a tuned system of automatic procurement risk-indicators embedded in the system that would enable stakeholders to identify possible violation to application of the public procurement law.

The proposal will complement another initiative by Government of Ukraine to develop comprehensive data analytics on procurement that will be linked to the Prozorro system. The proposal will finance consultancy services to develop software system of a few additional risk indicators and incorporate them into existing Prozorro system.

D. 2. Borrower's Institutional Capacity

The Recipient-Executed (RE) activities will be implemented by the officials from the State-Owned Enterprise Prozorro supervised by the The Ministry of Economy of Ukraine. No dedicated project implementation unit is expected to be established as the project activities will be only limited to selection of the two consultancy firms that will be engaged in the development of the few additional risk indicators and upgrading of the existing national procurement system software. The responsibilities of the implementing agency will be spelled out in the Grant Agreement that will be signed between the World Bank and Government. The Client is not familiar with the Environmental and Social Framework and will be supported by the Bank's Team under the project implementation, as needed.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

The project environmental risks are considered to be Low as the proposed project will not support any activities including civil works which can generate direct or indirect impacts, as well as no TA activities which would relate to development of feasibility studies or business plans that would lead to further investment operations and might indirectly cause such risks and impacts.

Social Risk Rating

Low

The project aims to introduce transparent and flexible system of risk-indicators that will allow stakeholders to monitor procurement especially during reconstruction phase and to quickly react to possible violations. The project does not envisage any civil works and no risks related to land acquisition and resettlement are anticipated. The



project activity will be limited to procure development of the software system of the risk indicators for the national procurement system. Overall, the Project does not pose any significant social risks and proposed social risk is rated 'Low'.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project will complement Government of Ukraine initiative to develop comprehensive data analytics on procurement that will be linked to the Prozorro system. The proposal will finance consultancy services to develop a system of additional risk indicators and incorporate them in the Prozorro system.

One of the expected outcomes of this initiative will be increased transparency, prevention of possible Fraud and Corruption, and better efficiency of the funds spent. Introduction of transparent and flexible system of risk-indicators will allow stakeholders to monitor procurement especially during reconstruction phase and to quickly react to possible violations. Moreover, availability of this system will increase trust to Ukrainian procurement environment from foreign bidders and potentially may increase interest in tenders conducted through Prozorro.

The objective of the project is to enhance monitoring the procurement of reconstruction in Ukraine and the Prozorro e-procurement system to incorporate a tuned system of automatic procurement risk-indicators embedded in the system that would enable stakeholders to identify possible violation to application of the public procurement law. The project will help raise the level of transparency, efficiency and build trust while responding to the unprecedented crisis in Eastern Europe that is affecting the economies globally. It will also complement the achievement of the overall objective of Prozorro to develop a fully operational electronic eProcurement system, which will include a multitude of e-modules.

The development of the two additional risk indicators activities proposed under the Project will be principally online activities related to modification of an existing mature system. Consultants would be able to work remotely without actual presence on the ground.

Areas where "Use of Borrower Framework" is being considered:

N/A

ESS10 Stakeholder Engagement and Information Disclosure

Looking forward, the Government of Ukraine has already begun active preparation for the post-war procurement. It is planned, that all procurement for recovery, including those funded by international and donor organizations, will be conducted through Prozorro system. Extensive prior consultation on potential project activities have been conducted with the State-Owned Enterprise Prozorro (SoE Prozorro), the Ministry of Economy of Ukraine, private sector (bidders), civil society organizations, IFIs and other interested parties to seek their feedback id development and introduction of the additional indicators into Prozorro is required to boost the transparency and accountability of the national system. Thhe consultations happened on the technical design and did not identify any ES risk issues associated with the planned project activities. Based on the consultation feedback, the project activities will be implemented with the following guiding principles:



- Develop and agree with key stakeholders' risk indicators based on the procurement law and the needs of stakeholders. The risk indicators will be developed based on the red flag concept.
- will be flexible to create and choose such risk-indicators which are more important for the civil society or watchdog in such field of activity, period, region etc.
- will allow to analyze sets of procurement procedures in various dimensions and focus on those of them where the risk of violation is the most likely and/or that could potentially cause significant losses of public funds and cases of corruption.
- will allow to choose procurement procedures to be monitored where it's highly probable that there are violations from Purchasers/Employer's side on any stages of procurement cycle.

The implementing agencies will continue to ensure that technical consultations are inclusive and accessible to all the stakeholders and interested parties during the project implementation while design of the indicators is presented. Given the nature of the project (hiring of the consultancy firms to develop software) no project Stakeholder Plan is required, however ESCP will describe key elements of the stakeholder engagement going forward including opportunities for grievance redress.

An accessible grievance mechanism for the Project shall be 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.

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

Given the nature of the risk no stand alone LMP is required. National labor procedures are sufficient given the nature of the project activities (selection of the two consultancy company to develop few additional risk indicators for the national procurement system). The development of the two additional risk indicators activities proposed under the Project will be principally online activities related to modification of an existing mature procurement system and the consultants would be able to work remotely without actual presence on the ground. No project implementation unit is envisaged under the project. The government employees who maintain Prozorro and engage in the project activities are considered government civil servants working. They will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement per ESS2 para 8. Given the nature of the work undertaken by the consultants and government civil servants working in connection with the project, labor risks are minimal and requirements under national law are likely to be adequate and do not require duplication (ESS2 FN9) but will be reviewed for consistency with the objectives of ESS2, and key requirements under ESS2 including provision of a worker grievance mechanism, will be described in the ESCP.

ESS3 Resource Efficiency and Pollution Prevention and Management

N/A

ESS4 Community Health and Safety

N/A



ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

N/A

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

N/A

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

N/A

ESS8 Cultural Heritage

N/A

ESS9 Financial Intermediaries

N/A

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower's commitments)

Actions to be completed prior to Bank Board Approval:

draft ESCP preparation

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

GRM establishment and maintenance throughout the project



IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: SOE Prozorro

Implementing Agency(ies)

Implementing Agency: SOE Prozorro

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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